

## Message Text

SECRET

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ORIGIN NEA-11

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 SIG-03 /142 R

DRAFTED BY NEA/ARP:FHGERLACH:SLB  
APPROVED BY NEA/ARP:JRCOUNTRYMAN  
EB/FSE:DHART  
EUR/CE:KLINGAMAN  
-----080169 060730Z /17

R 060127Z JUN 78  
FM SECSTATE WASHDC  
TO AMEMBASSY JIDDA  
INFO AMEMBASSY BONN  
AMEMBASSY TEHRAN  
AMEMBASSY ABU DHABI  
AMEMBASSY KUWAIT  
AMEMBASSY DOHA

S E C R E T STATE 142062

NOFORN

E.O. 11652: GDS

TAGS:ENRG, SA

SUBJECT: YAMANI ON OIL

1. FOLLOWING IS TRANSLATION OF "SALIENT POINTS" IN CABLE  
FRG EMBASSY WASHINGTON RECEIVED ON A MAY 29 MEETING IN  
SAUDI ARABIA BETWEEN MINPET YAMANI AND FRG MIN FOR  
RESEARCH HOUFF. DEPARTMENT WOULD APPRECIATE WHATEVER  
COMMENTS YOU MAY HAVE.

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2. BEGIN TEXT. QUOTE: YAMANI REGRETTEED THAT THE WORLD,  
IN PARTICULAR THE INDUSTRIAL NATIONS, HAD FORGOTTEN OR NOT  
UNDERSTOOD THE WARNING OF 1973. THE PRESENT OIL SURPLUS  
WOULD AT BEST CONTINUE FOR ONE OR TWO MORE YEARS. DURING  
THE LAST HALF OF THE 1980'S THE INTERNATIONAL DEMAND WOULD  
EXCEED THE OIL SUPPLIES. AMERICAN AND INTERNATIONAL PRO-  
JECTIONS WERE FOR THE MOST PART BASED ON EXPECTATIONS OF

A SAUDI PRODUCTION RISE UP TO 16 OR 18 MILLION BBL. PER DAY. THIS WAS UNREALISTIC, SINCE SAUDI ARABIA WOULD NOT DREAM EVEN OF EXHAUSTING ITS RESERVES AHEAD OF TIME. ON TOP OF THIS, THERE WAS ABSOLUTELY NO BETTER INVESTMENT THAN LEAVING THE OIL IN THE GROUND FOR AS LONG AS POSSIBLE.

3. QUOTE: IN YAMANI'S VIEW THE INDUSTRIAL COUNTRIES ARE

HEADING TOWARDS A CATASTROPHE. ONCE OIL BEGAN TO DWINDLE PRICES WOULD HAVE TO GO UP, PROBABLY IN JUMPS. HIS FEARS WERE THAT THE ECONOMIES OF MOST OF THE WESTERN INDUSTRIAL NATIONS WOULD NOT BE ABLE TO BEAR THE STRAINS. HOWEVER, NO PRECAUTIONARY MEASURES WERE BEING TAKEN. THERE WAS NO SAVING OF ENERGY, NO EXPLOITATION OF NEW ENERGY SOURCES TO ANY SATISFACTORY DEGREE, NOR WERE NEW PROCESSES BEING DEVELOPED, I.E., TO MAKE BETTER USE OF HEAVY OIL FOR BURNING. YAMANI DOUBTED THE ABILITY OF WESTERN DEMOCRACIES TO TACKLE PROBLEMS OF THIS NATURE. PERHAPS THE WORLD NEEDED ANOTHER SHOCK.

4. QUOTE: WHAT KIND OF SHOCK? PERHAPS ISRAEL WOULD DELIVER THE SHOCK, IF IT CONTINUED TO REFUSE TO CONCLUDE PEACE AND TO KEEP THE TERRITORIES OF OTHERS OCCUPIED SETTLING THEM. ANOTHER MIDDLE EAST WAR WOULD CERTAINLY ENTAIL AN IMMEDIATE SHORTAGE OF OIL AND A DRASTIC PRICE  
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INCREASE.

5. QUOTE: YAMANI THOUGHT THAT IT MIGHT PERHAPS BE BETTER TO LET OIL PRICES RISE SLOWLY THAN TO FREEZE THEM. REGRETTABLY THE PRESENT MARKET SITUATION WAS MAKING SUCH A STEP OF REASON IMPOSSIBLE. MANY OPEC COUNTRIES, HE SAID, WERE UNDER PRESSURE TO PRODUCE AND SELL AS MUCH OIL AS POSSIBLE IN ORDER TO KEEP THEIR BUDGETS IN SHAPE. THIS SITUATION WOULD NEVERTHELESS NOT PREVAIL MUCH LONGER.  
UNQUOTE. VANCE

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, FOREIGN POLICY POSITION, PRICES  
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**Decaption Date:** 01 jan 1960  
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**TAGS:** ENRG, SA  
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**Type:** TE  
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